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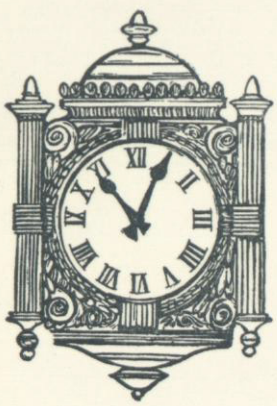


ANNUAL REPORT OF

MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1960

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

general offices:
25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1959

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

THE STORY IN BRIEF
(in thousands of dollars)

	Fiscal Year		
	1959	1958	1957
Net Sales	$234,339	$217,979	$219,012
Income before Federal Taxes	18,437	14,914	15,618
Federal Taxes on Income	9,250	7,500	8,041
Net Income	9,187	7,414	7,577
Net Income per Common Share	4.50	3.51	3.56
Dividends Declared per Common Share	2.50	2.25	2.25
Cash and Securities	27,217	28,325	31,599
Accounts Receivable	29,909	26,932	26,035
Merchandise Inventories	31,903	31,504	31,913
Net Working Capital	62,903	61,932	65,815
Ratio of Current Assets to Current Liabilities	3.3	3.4	3.6
Expenditures for Plant and Equipment			
Modernization and Replacement	1,998	2,080	2,022
Expansion	157	3,191	1,686
Depreciation	3,866	3,533	3,573
Common Shareholders' Investment	93,434	88,919	85,841
Book Value per Common Share	47.45	45.36	44.00

MARSHALL FIELD & COMPANY

The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1960.

Your Company's sales volume for the year was $234,339,000 compared with $217,979,000 for the preceding year. Net income was $9,187,000 compared with $7,414,000 in 1958.

Net income per Common Share was $4.50 in 1959, $3.51 in 1958. Operating results and other financial data are summarized on the opposite page.

The quarterly dividend rate of fifty cents per Common Share, which has been in effect for twelve years, was increased to sixty-two and one-half cents in October 1959. At the same time we announced that it was not our intention to continue to pay the extra dividend of twenty-five cents per Common Share which we have paid in the spring of each of the last four years.

Our cash and securities declined only $1,108,000 during the year, to $27,217,000, despite the expenditure of $4,406,000 on the retirement of 46,876 of our 4¼% Cumulative Preferred Shares in December 1959. During the past two years we have reduced the number of our Preferred Shares outstanding from 150,000 to 49,962, and our preferred dividend requirement from $637,500 to $212,300. This dividend reduction is the equivalent of twenty-two cents per Common Share on an annual basis.

We have no intention of calling the Preferred Shares now outstanding. We do intend to buy until further notice any of these shares offered to us at a price of $92.00 per share. Purchases will be handled through the Corporate Trust Division of the Continental Illinois National Bank and Trust Company of Chicago and the Morgan Guaranty Trust Company of New York.

We exercised our option to prepay without premium, in March 1960, $1,000,000 of the principal amount of a long-term loan from the Metropolitan Life Insurance Company, thus reducing our funded debt to $28,000,000.

Despite a substantial increase in sales our merchandise inventories on January 31, 1960 approximated the level of the preceding year-end. Accounts receivable increased from $26,932,000 to $29,909,000 and earned surplus from $62,090,000 to $66,043,000. The ratio of current assets to current liabilities decreased from 3.4 to 3.3.

The Company's minimum rent obligation under long-term leases approximates $641,000 per annum.

Payments toward the 1959 cost of our Retirement Program were $877,000. On November 30, 1959 the market value of assets in our Pension Trust was $37,585,000. Since its establishment in 1943, a total of $7,777,000 has been paid out of the Pension Trust to 3,591 retired employes.

Our capital expenditures during the past year were $2,155,000, practically all of which were for the purpose of modernizing or replacing existing facilities. Depreciation on all properties totaled $3,866,000. Again in the coming year we expect our capital outlay on stores now in operation to be well below our charge for depreciation. We are continuing to maintain our properties in excellent condition.

Construction has been started on the Oakbrook Terrace shopping center in the Hinsdale-Elmhurst area of suburban Chicago. This center will be larger in size than the Old Orchard center in Skokie, Illinois, and our own store will be similar in size and character to our Old Orchard store. Sears Roebuck and Co. will also operate one of its largest department stores in the center. Numerous other important tenants have signed leases or letters of intent. Oakbrook Terrace will be one of the largest and finest shopping centers in the country. It will serve the western and southern parts of Chicago, and nearby communities such as Hinsdale, LaGrange, Elmhurst, Joliet and Aurora. We expect our Oakbrook Terrace store to be in operation in 1962.

Your Company's cash and financial position is such as to permit further expansion whenever suitable opportunities occur. In the years ahead we expect to take whatever steps are necessary to strengthen our pre-eminent positions in the metropolitan areas in which we now operate. We intend also, either through acquisition of existing stores or otherwise, to move into areas in which we do not presently operate, whenever the circumstances are favorable. In our expansion program our interest is confined to stores of the same general character as our present units. These are widely regarded as among the finest department stores in the country. In any future growth now contemplated we intend to adhere to the same high standards that have always characterized the operation of our present stores.

In April 1959 we established our own buying office in Tokyo to cover markets in Japan and other areas of the Far East. For many years we have had buying offices in London, Paris, Frankfurt and Florence, and have operated through agents in other areas in Europe and North Africa. We are sending increasing numbers of buyers to Europe and the Orient, and our volume of imports has been growing steadily, particularly from the latter area. This is in line with our general policy of assembling for our customers from sources both here and abroad the widest possible assortments of distinctive and unusual merchandise.

We record with deep personal sorrow the death on July 26, 1959 of John P. Wilson, who served as a member of your Board of Directors for more than thirty-one years. As general counsel, business advisor and friendly associate, his clarity of thought, his extraordinary courage and integrity, his good judgment and the great charm of his personality were invaluable to our officers and directors alike. He will long be remembered as one of the truly great men of Marshall Field & Company.

The vacancy on the Board of Directors caused by the death of Mr. Wilson will not be filled. By action of the Board on December 30, 1959 our By-Laws

were amended reducing the size of the Board from thirteen to twelve members.

We also record with deep sorrow the death on May 31, 1959 of Earl Kribben, Vice President in charge of Civic Affairs. Mr. Kribben was also at one time Secretary and Treasurer of the Company. He carried his varied responsibilities through twenty-eight years in our organization with great dedication. In recent years most of his effort was directed toward the support of civic improvements in the Chicago area in which your Company is vitally interested. A man of rare character, integrity and ability, his passing was mourned not only by his associates in Marshall Field & Company but by hundreds of men and women throughout Chicago with whom he worked tirelessly in the effort to make Chicago a better community in which to live and work.

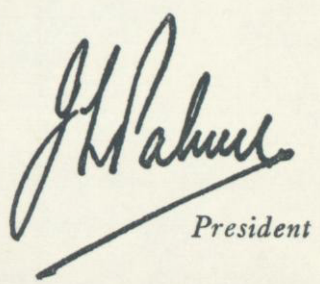
Just as this report was going to press the sudden news of the death of James Simpson, Jr., saddened the directors and officers of your Company. His nearly thirty years of devoted service as a director was interrupted only for two years to serve his country in the United States Marine Corps during World War II. He was a member of a distinguished Chicago family, long prominent in the civic, social and business life of this community. He always was vitally interested in the affairs of the Company. His alertness, his enthusiasm and his deep loyalty will be greatly missed by all who knew him here.

Mr. Harold J. Nutting, an Executive Vice President of the Company and General Manager of our Chicago area stores, retired in July 1959 after thirty-five years of loyal and distinguished service.

Mr. Gerald A. Sivage, Senior Vice President and Assistant General Manager of our Chicago area stores, succeeded Mr. Nutting as Executive Vice President of the Company and General Manager of these stores. Mr. David W. Davidson, Senior Vice President and General Merchandise Manager of the Chicago area stores also has been named Assistant General Manager.

The earnings performance of your Company in 1959 could have been achieved only through the devoted efforts of our thousands of employes, the goodwill of our customers and the cooperation of our suppliers. To all of these we express our gratitude. Careful adherence on the part of our entire staff to the policies and ideals which have characterized the conduct of the affairs of Marshall Field & Company for more than a century also was necessary to its accomplishment.

By Order of the Board of Directors,



President

March 15, 1960

MARSHALL FIELD & COMPANY

INCOME STATEMENT

	Fiscal Year Ended	
	January 31, 1960	January 31, 1959
NET SALES	$234,339,264	$217,979,469
DEDUCT:		
Cost of goods sold and expenses, exclusive of items listed below	$203,038,552	$191,638,651
Maintenance and repairs	2,305,036	2,090,044
Provision for depreciation and amortization	3,865,846	3,533,170
Taxes other than Federal income taxes	4,935,814	4,331,436
Rentals paid	1,263,902	910,697
Net interest expense	493,376	561,933
Federal income taxes	9,250,000	7,500,000
	$225,152,526	$210,565,931
NET INCOME FOR THE YEAR	$ 9,186,738	$ 7,413,538

EARNED SURPLUS

BALANCE AT JANUARY 31, 1959		$ 62,090,201
Net income for the year		9,186,738
		$ 71,276,939
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series	$ 311,950	
Common Shares ($2.50 per share)	4,921,558	5,233,508
BALANCE AT JANUARY 31, 1960		$ 66,043,431

PAID-IN SURPLUS

BALANCE AT JANUARY 31, 1959	$ 9,523,375
Excess of par value of 46,876, 4¼% Cumulative Preferred Shares purchased and cancelled, over the cost thereof	281,256
BALANCE AT JANUARY 31, 1960	$ 9,804,631

MARSHALL FIELD & COMPANY BALANCE SHEETS

	January 31, 1960	January 31, 1959
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,828,984	$ 11,632,368
United States Government securities and other short-term investments, at cost	17,388,221	16,692,905
Receivables from customers and others, less reserves for doubtful accounts of $1,133,500 at the end of each year	29,908,773	26,932,213
Merchandise inventories, priced at the lower of cost or market	31,902,699	31,504,288
Prepaid insurance, supply inventories, etc.	1,209,843	1,488,486
Total Current Assets	$ 90,238,520	$ 88,250,260
FIXED ASSETS:		
Land, at cost	$ 18,312,886	$ 18,521,791
Buildings, leaseholds and equipment, at cost	80,716,631	79,867,754
	$ 99,029,517	$ 98,389,545
Less — Reserves for depreciation and amortization	34,502,167	31,718,225
Net Fixed Assets	$ 64,527,350	$ 66,671,320
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$154,765,871	$154,921,581

	January 31, 1960	January 31, 1959
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 7,595,794	$ 8,578,186
Accrued Federal income taxes	7,569,632	6,651,623
Other accrued liabilities	12,170,209	11,088,866
Total Current Liabilities	$ 27,335,635	$ 26,318,675
3¾% NOTES, maturing from 1972 to 1982	$ 29,000,000	$ 30,000,000
CAPITAL STOCK:		
Cumulative Preferred Shares —		
Authorized 199,962 shares at January 31, 1960 of $100 par value, issuable in series—4¼% Series; redeemable at premium of $4 per share; issued and outstanding 49,962 shares at January 31, 1960, which Company offers to repurchase at $92 per share until further notice	$ 4,996,200	$ 9,683,800
Common Shares —		
Authorized 4,000,000 shares of no par value, of which 154,805 shares may be sold to officers or employes without first offering such shares to the shareholders; options are outstanding for 86,675 shares at prices ranging from $29 to $46.55 per share; options for 42,540 shares are presently exercisable; issued and outstanding 1,968,958 shares at January 31, 1960, at stated value	17,585,974	17,305,530
PAID-IN SURPLUS	9,804,631	9,523,375
EARNED SURPLUS ($36,639,189 not available for dividends on Common Shares as long as 3¾% Notes are outstanding)	66,043,431	62,090,201
	$ 98,430,236	$ 98,602,906
	$154,765,871	$154,921,581

AUDITORS' CERTIFICATE

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1960, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended January 31, 1959.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Marshall Field & Company as of January 31, 1960, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 4, 1960

BOARD OF DIRECTORS

JOHN M. BUDD	*President, Great Northern Railway Company*
KENT CHANDLER	*Director, A. B. Dick Company*
MARSHALL FIELD, JR.	*President and Publisher, Chicago Sun-Times and Chicago Daily News*
STANLEY FIELD	*President, Chicago Natural History Museum*
HENRY P. ISHAM	*President, Clearing Industrial District, Inc.*
WILLIAM V. KAHLER	*President, Illinois Bell Telephone Company*
HUGHSTON M. McBAIN	*Retired Chairman of the Company*
JOHN McKINLAY, JR.	*Executive Vice President and Treasurer of the Company*
JAMES L. PALMER	*President of the Company*
JAMES SIMPSON, JR.*	*Farmer*
GERALD A. SIVAGE	*Executive Vice President of the Company*
WILLIAM S. STREET	*Executive Vice President of the Company*

CORPORATE OFFICERS

JAMES L. PALMER	*President*
JOHN McKINLAY, JR.	*Executive Vice President and Treasurer*
GERALD A. SIVAGE	*Executive Vice President*
WILLIAM S. STREET	*Executive Vice President*
DAVID W. DAVIDSON	*Senior Vice President*
JOHN D. ANDERSEN	*Vice President and Comptroller*
RALPH E. BOWERS	*Vice President and Secretary*
CHARLES M. RHODES	*Assistant Treasurer*
ROBERT A. WILBRANDT	*Assistant Secretary*

DIVISION OFFICERS

Chicago Stores Division

EINAR L. BJORKLUND	*Vice President, Merchandising*
CHARLES W. FOLDS	*Vice President, Merchandising*
CLARENCE T. GREGG	*Vice President, Merchandising*
CHARLES C. HOLLOWAY	*Vice President, Merchandising*
DONALD K. KEITH	*Vice President, Merchandising*
JOHN T. MOSS	*Vice President, Design*
HARRY D. PERKINS	*Vice President, Merchandising*
LLOYD H. RICHMOND	*Vice President, Personnel*
RICHARD W. STEENBERG	*Vice President, Merchandising*
WILLIAM C. STETSON	*Vice President, Merchandising*

Frederick & Nelson Division

CORNELIUS J. BYRNE	*Vice President, Merchandising*
MYRON C. LAW	*Vice President, Operating*
JASPER UTZ	*Vice President, Merchandising*

Mayfair Division

ARNOLD D. K. MASON	*Vice President, Merchandising*

* *Died February 29, 1960*

STORE LOCATIONS

In the Chicago Area

Marshall Field & Company,
111 North State Street, Chicago

Evanston
1700 Sherman Avenue, Evanston

Lake Forest
682 North Bank Lane, Lake Forest

Oak Park
1144 Lake Street, Oak Park

Old Orchard
Old Orchard, Skokie

Park Forest
333 Plaza, Park Forest

In the Milwaukee Area

Mayfair
Route 100 at North Avenue
Wauwatosa, Wisconsin

In the Seattle Area

Frederick & Nelson
5th and Pine Streets, Seattle

Bellevue
Bellevue Square,
Bellevue, Washington